

OTOKAR REPORTS 2004 RESULTS

“Rapid growth in net profits beyond the target”

In this report we submit 2003 end of year figures re-based to provide an approximate comparison to 2004 end of year figures. 2003 & 2004 financial results published in this press release are audited and prepared according to International Financial Reporting Standards.

Highlights of 2004

- Net sales in 2004 were USD 216 million implying a 29% increase YoY. Export revenues had a share of 12% of the total revenues.
- Sales volume obtained in 2004 was 4,371 vehicles with a 30% increase YoY.
- Otokar, recorded EBITDA of USD 25.4 million yielding an EBITDA margin of 12% in 2004. 54% rapid increase in EBITDA from 2003 to 2004 was also a proof for Otokar’s impressive performance.
- In 2004, Otokar increased its net profit more than twice comparing the year before. Generated net profit of 2004 was USD 15.4 million. The attained net margin of 2004 was 7%.
- Rapid increase in sales revenues was stemmed from the very strong commercial sales volumes in 2004. Otokar’s Sultan midibuses with 22.2% market share were behind this success story.

Overview

| OTOKAR IFRS P/L Statement Highlights | 2004 USD (thousands) | 2003 USD (thousands) | USD Based Change |
|---|-------------------------------------|-------------------------------------|-----------------------------|
| Net Sales | 215,891 | 167,519 | %29 |
| Cost of Sales | (166,314) | (127,713) | %30 |
| Gross Profit | 49,577 | 39,806 | %25 |
| Operating Expenses | (29,683) | (29,075) | %2 |
| Operating Profit | 19,894 | 10,731 | %85 |
| Income/(loss) before minorities & taxes | 22,060 | 10,560 | %109 |
| Taxation | (6,645) | (3,672) | %81 |
| Net Profit | 15,415 | 6,888 | %124 |
| EBITDA | 25,337 | 16,407 | %54 |

Net Sales

| (number of units sold) | 2004 | 2003 | Change % |
|------------------------|--------------|--------------|-----------|
| Minibus | 1,416 | 1,236 | 15 |
| Land Rover | 563 | 551 | 2 |
| Armoured Vehicles | 127 | 91 | 40 |
| Midi-bus | 1,108 | 629 | 76 |
| Trailer | 1,157 | 865 | 34 |
| TOTAL | 4,371 | 3,372 | 30 |

Decline in consumer credit rates as a result of advantageous macro economic conditions like lower interest rates and strong TL, accompanied by tax incentives caused a boom in domestic demand in the Turkish automotive sector in 2004. With the help of strong domestic demand in countrywide, Otokar generated USD 216 million in revenues and reported a net profit of USD 15.4 million for the year 2004. 88% of total revenues of the company derived from domestic sales confirming the economic conjunctures.

Otokar increased its sales volume to 4,371 vehicles with a 30% growth. The major growth in sales numbers came from Sultan Midi-buses by 76%. From the first production date in 2002, Sultan midi-buses had high market share since they first entered the civilian vehicles market. "Sultan" ranked third with a 22.2% market share in 2004. The company had an overwhelming market share of 85.5% in mini-buses for the stated year.

| | 2004 USD (thousands) | 2003 USD (thousands) | Change % |
|----------------|----------------------------|----------------------------|-------------|
| Domestic Sales | 189,626 | 132,880 | 43 |
| Exports | 26,264 | 34,640 | (24) |
| Total | 215,891 | 167,519 | 29 |

There was a decrease of 24% in export revenues in 2004 compared to a year ago. Land Rover Defenders ranked first in share of export revenues. Main export regions of the company were North African, Middle Eastern and European countries.

Profit

The company's percentage change in net sales and cost of sales were on par with each other for the stated years which were 29% and 30% respectively. As a result, the gross margin did not show a very big difference. It was 23% for 2004 and 24% for 2003. Gross profit of 2004 was USD 49.5 million, growing by 25% Y-o-Y.

Despite of 25% increase in gross profit, the company were successful to hold its operating expenses stable relatively to expansion in sales. This enabled Otokar to perform an operating profit of USD 19.9 million in 2004 which was %85 more than its 2003 level. Improving operating profit margin from 6.4 % to 9.2%, resulted Otokar to have EBITDA of USD 25.3 million 54% higher than 2003. The EBITDA margin of 2004 was 12% while it was 10% in 2003.

As a result of strong revenue growth accompanying with a lower rate of operating expenses, Otokar performed a net profit of USD 15.4 million in 2004 increasing %124 from its level of

2003.

Investments

Otokar's capex in 2004 amounted to USD 4.9 million that was mostly spent for the first phase of Otokar Design and Test Center. The total amount of investment that has started in 2002 has been USD 6.5 million. As stated above, investment on this center continued in 2004, too. The center has been built on 2,750 square-meter area. It will house Turkey's first and only hydraulic road simulator, which will facilitate the testing process of vehicles up to 13 tons. With the help of this center, Otokar will be able to design, test and start production of its new models for the market in a shorter time than before.

Objectives

Otokar's goal is to obtain a sustainable growth to keep on producing vehicles whose intellectual property rights will be owned by Otokar. In order to achieve this objective, Otokar launched new models both in defence and commercial vehicles. The new investment in design and test centre will help Otokar to reach its goal. Research and development activities continued in 2004, on trailers and semi-trailers for 2005 models.

Lately signed contracts

In 2004, Otokar concluded two agreements for the export of "Cobra" 4x4 armoured vehicles plus spare parts. These orders will be delivered to the customers until the end of 2005. During the last months of 2004 and in January 2005, Otokar received six different orders, including Cobras for the Gulf Area, for different types of military vehicles; four of which are export agreements. Otokar has already started producing 922 vehicles consisting of 97 wheeled armoured vehicles and 825 Land Rover Defender in different types. 7.6 million USD worth of vehicles were already delivered in 2004 and 57.1 million USD worth of orders will be delivered to the customers in 2005.

| OTOKAR IFRS Balance Sheet | 2004 USD (thousands) | 2003 USD (thousands) |
|--|-------------------------------------|-------------------------------------|
| Current Assets | 112,827 | 87,723 |
| Current Liabilities | 74,403 | 72,416 |
| Working Capital | 38,424 | 15,307 |
| Property, Plant & Equipment -Net | 32,792 | 33,378 |
| Total Assets | 159,868 | 142,686 |
| Total Liabilities | 78,494 | 76,727 |
| Shareholders Equity | 81,374 | 65,959 |

| OTOKAR IFRS Balance Sheet | 2004 |
|--|-------------|
| Current Ratio | 1,52 |
| Liquidity Ratio | 1,14 |
| Current Assets / Total Assets | 0,71 |
| Current Liabilities / Total Liabilities | 0,95 |
| Total Liabilities / Total Liabilities & Shareholders' Equity | 0,47 |

| OTOKAR IFRS Statement of Cash Flow | 2004 USD (thousands) |
|---|-------------------------------------|
| Cash and Cash Equivalents at the Beginning of the Period | 7,268 |
| Net Cash Provided by Operating Activities | 3,648 |
| Net Cash Used in Investment Activities | (3,096) |
| Pre-Financing Cash Flow | 552 |
| Net Cash Used in Financing Activities and Effect of Exchange Rate Changes | (4,921) |
| Net Decrease in Cash and Cash Equivalents | (4,369) |
| Cash and Cash Equivalents at the End of the Period | 3,652 |

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